Impacts of the economic blockade and the unilateral coercive measures

A crime against humanity on Venezuela

MARCH, 2019

Sanctions:
Unilateral coercive measures

On August 24, 2017, the Trump administration issued **Executive Order 13808**, which imposed a set of coercive and unilateral measures against the economy and finances of the Bolivarian Republic of Venezuela.

The measure is aimed at financial operations towards or from Venezuela, and prohibits the international financial system from participating in any sort of operation for the purchase, sale, negotiation or renegotiation of Venezuelan sovereign debt, as well as any operation related to the debt of national oil company PDVSA. The order also forbids PDVSA subsidiaries – such as CITGO, which is headquartered in the U.S. – from repatriating dividends and earnings to the Venezuelan State.

Since then, Donald Trump has signed four additional decrees that punish the Venezuelan economy:
a.-Executive Order 13827 in March 2018 against the Petro cryptocurrency.
b.-Executive Order 13835 in May 2018 against Venezuela's accounts receivable and other operations.
c.-Executive Order 13850 in November 2018 against Venezuela's gold trade.
d.-Executive Order 13857 in January 2019 that establishes the blockade and freezing of PDVSA (CITGO) assets in the U.S.

Donald Trump's Executive Orders complete the process that began in December 2014 when the U.S. Congress passed the **"'Venezuela Defense of Human Rights and Civil Society Act"** and continued with **Executive Order 13692** in March 2015, known as the Obama Decree, that characterized Venezuela as an "***unusual and extraordinary threat"*** against the national security and foreign policy of the U.S.

In total, since March 2015, the U.S. has issued six presidential decrees that penalize and punish Venezuela's economic activities, focusing on financial and oil aspects, and establishing a de facto blockade against the Venezuelan economy.

With this set of legal instruments, the U.S. government legalized its policy of direct intervention against Venezuela's sovereignty and domestic affairs, and deepened its persecution of the Venezuelan Government and economy.

By early 2019, the path of economic aggression has additionally been paved by a countless number of administrative measures – particularly by the U.S. Treasury Department through its Office of Foreign Asset Control (OFAC), and by the international financial system – that penalize and pursue the economic activities, finances and international trade of Venezuela.

“The application of unilateral coercive measures against a sovereign State constitutes a flagrant violation of international law”

This is an old practice designed by the U.S. during World War I, through the **“Trading with the Enemy Act”** of 1917, that restricted and penalized any commercial activity with countries that were “in military conflict” with the United States.

In practice, the punitive actions against Venezuela entail the application of the same interference used with special intensity against Cuba since 1962; Chile between 1970-73; Nicaragua from 1970; Iran and Iraq since the 80s; various countries of Africa through several decades; and, most recently, against Syria, Libya and the Democratic People’s Republic of Korea, among others.

The measures to punish the finances and trade of sovereign nations seek to establish an economic siege with the aim of generating a social collapse in the targeted country, set the stage for the removal from power of governments that are not docile to Washington, and substitute them with sectors aligned with U.S. interests.

In the case of Venezuela, as the highest officials from the U.S. have affirmed in various statements, it is about denying it economic recourse, disrupting its financial activities and impeding the free unfolding of its commercial activities, including access to food, medicine and basic goods, until it sparks chaos of a humanitarian nature in Venezuela.

The script for direct intervention in Venezuela is therefore carried out using the excuse of the existence of an alleged **“humanitarian crisis”** that would destabilize the region and therefore demands an international response based upon interventionist doctrines such as the so-called **“responsibility to protect”** and other elaborate arguments that have no foundation in international law.

"The pressure campaign is working. ***The financial sanctions we have placed on the Venezuelan Government have forced it to begin becoming in default****, both on sovereign and PDVSA, its oil company's debt. And what we are seeing … is a total economic collapse in Venezuela. So our policy is working, our strategy is working and we're going to keep it."*

Declaration by the U.S.
Department of State
January 9, 2018.

"We should treat this as an agony, a tragedy that will continue until it finally reaches an end *… and if we can do something to accelerate it, we should do it, but we should do it while understanding that this will have an impact on millions of people who are already having difficulty finding food and medicine… We cannot do this and pretend it won't have an impact, we have to make a hard decision, the desired goal justifies this severe punishment."*

William Brownfield, former U.S. Ambassador
to Venezuela / October 12, 2018.

“The blockade of access to food and medicine for the Venezuelan people constitutes, in practice, a crime against humanity”

Public recognition by U.S. authorities affirms the systematic denunciations made by Venezuela to the international community:

1.- The coercive and unilateral measures, called **“sanctions”**, constitute, in practice, a blockade against Venezuela’s economy, finances and international trade, and have as their goal the destabilization of democracy and **“regime change”** in Venezuela.

2.- The economic and financial blockade obstructs Venezuela’s access to food, medicine, basic goods and international financing, which has impacted Venezuela’s economic performance since 2015 and has severely affected the Venezuelan people.

3.- The economic and financial blockade is an action that violates international law, the United Nations Charter, humanitarian law and the principles that govern the conduct of States in the framework of the international system.

4.- Due to its terrible effects on the population, the economic hardships it produces and the impact on the lives and health of the Venezuelan people, the economic and financial blockade – according to what was expressed by the United Nations independent expert on the promotion of a democratic and equitable international order, **Alfred de Zayas**, in his report to the U.N. Human Rights Council – is a conscious act of the massive violation of the human rights of the Venezuelan people that should be considered a crime against humanity.

Actions against Venezuela's finances

- Ban on the transaction of sovereign debt instruments and PDVSA debt instruments.
- Freezing of CITGO assets in the U.S., which are property of the Venezuelan State.
- Closing of accounts belonging to Venezuelan entities and businesses by banks and other international financial institutions.
- Legal actions in foreign courts that seek to seize Venezuelan assets, particularly those belonging to the Venezuelan oil company.
- Refusals by the international financial system to process financial transactions to or from Venezuela, or delays in the processing of financial transactions.
- Freezing and withholding of Venezuelan funds, gold and other assets.
- Imposition of fines, penalties and various administrative measures to increase Venezuela's transaction costs.
- Refusals by transnational pharmaceutical companies to ship medicine acquired by Venezuela.
- Blocking of the sending and seizure of shipments of food by Governments hostile to Venezuela.
- Closing of accounts of Venezuelan diplomatic missions that impede the normal functioning of the foreign service.

Effects of the economic and financial blockade

- The persecution of PDVSA's activities has led to the loss of millions in the national oil industry and has caused grave impacts on the industry's operations.
- The blockade has led to a fall in Venezuela's domestic economic activity and international trade.
- It has provoked an increase in the price of foreign currency, spurring speculative attacks against the national currency.
- The blockade has produced shortages and scarcity in essential sectors of the economy, such as food, medicine and basic industrial goods.
- The economic aggression has promoted capital flight.
- The denial of credit, the financial blockade and the increase in the cost of international credit for Venezuela has generated gigantic financial losses for the Republic.

Impacts of the blockade against Venezuela

Global losses for the economy
August 2017- December 2018
$23.238 billion

Value of assets frozen in the U.S.
$30 billion

Impacts of the blockade in the financial sphere

(August 2017 - October 2018. In millions of $)

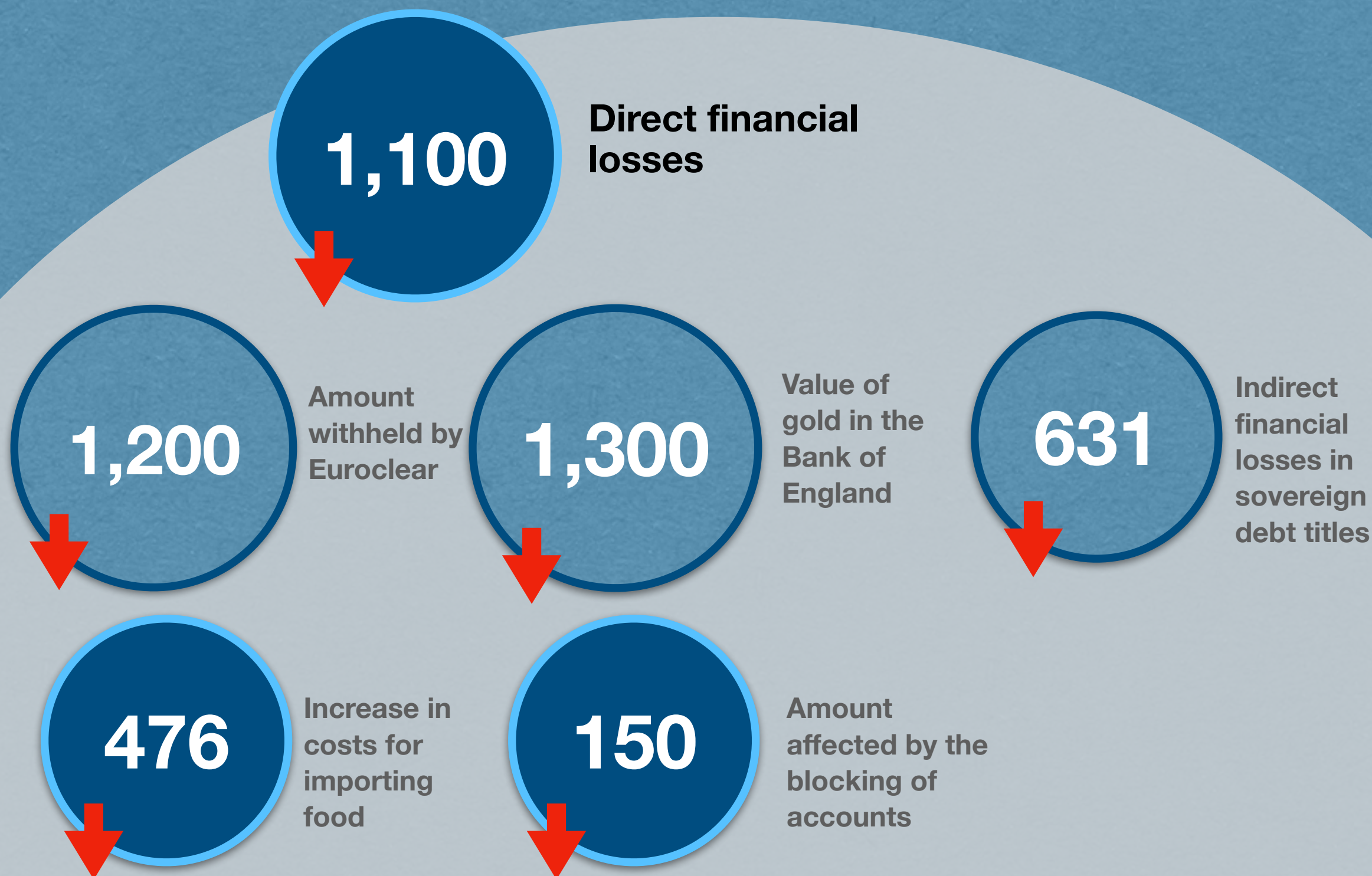
1,100 Direct financial losses

1,200 Amount withheld by Euroclear

1,300 Value of gold in the Bank of England

631 Indirect financial losses in sovereign debt titles

476 Increase in costs for importing food

150 Amount affected by the blocking of accounts

Impacts of the blockade on the oil sector

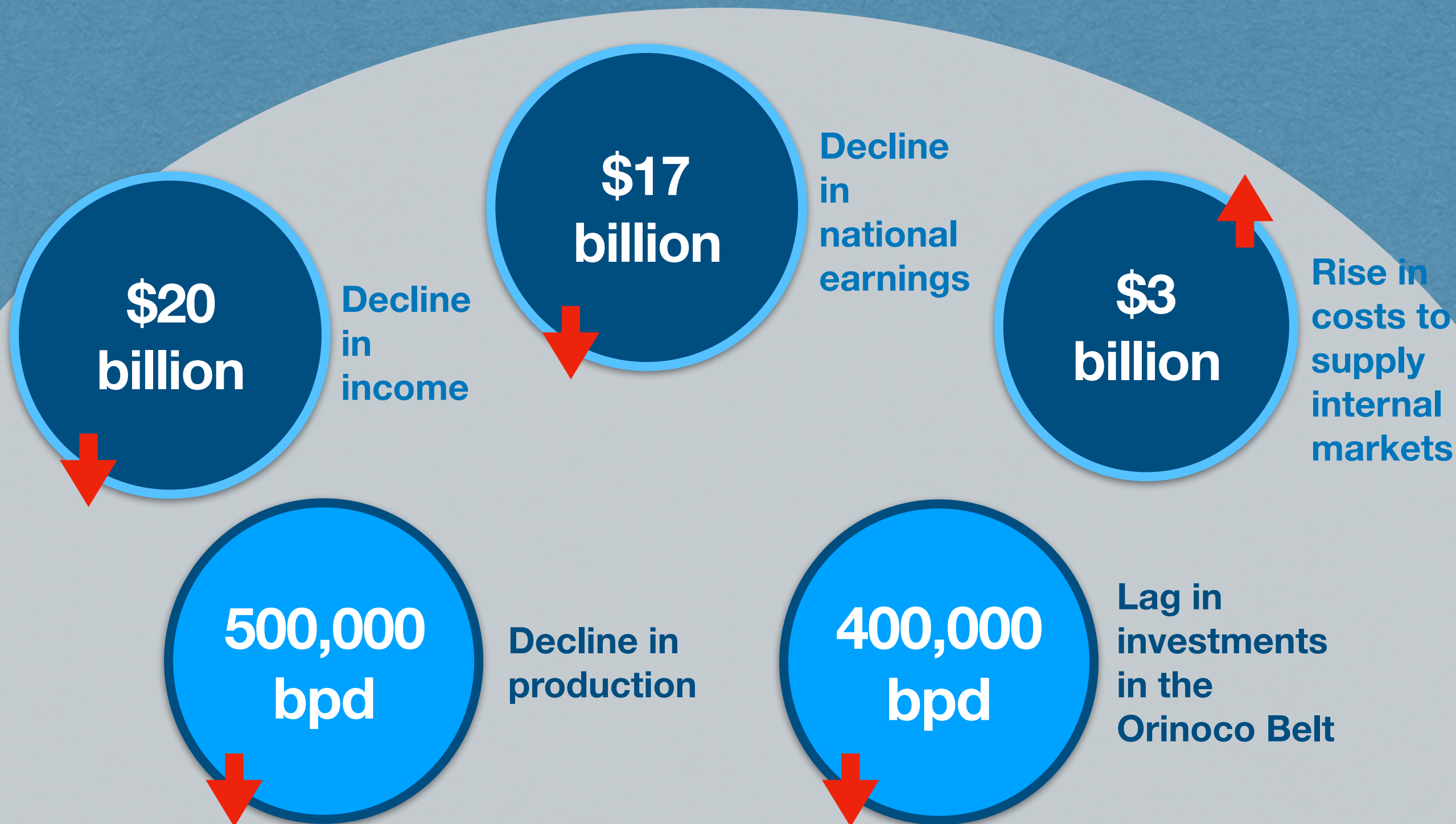
(August 2017 - October 2018)

$20 billion — Decline in income

$17 billion — Decline in national earnings

$3 billion — Rise in costs to supply internal markets

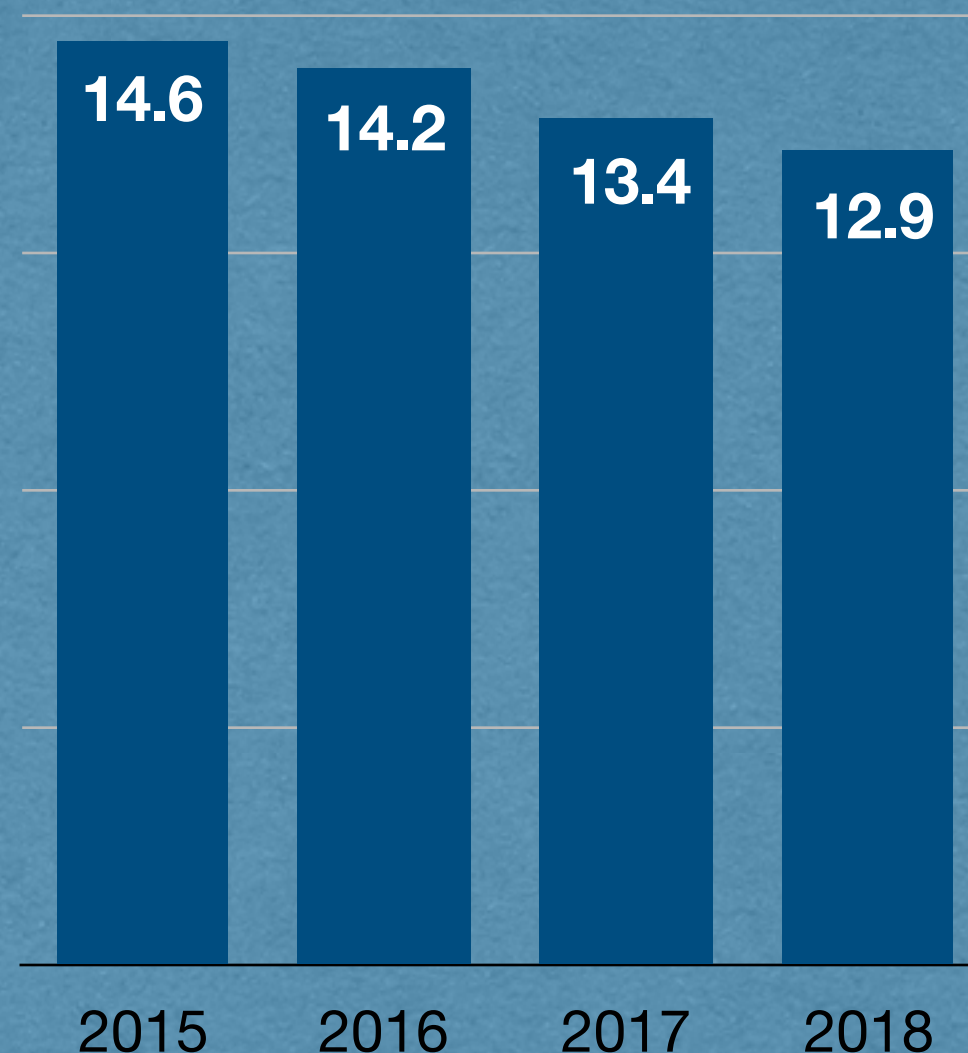
500,000 bpd — Decline in production

400,000 bpd — Lag in investments in the Orinoco Belt

Impacts on the food sector

The economic blockade against Venezuela has decisively affected the availability of food for the Venezuelan people.

In terms of the quantity of food, Venezuela stopped receiving 3 million 930 metric tons of food in 2016 and an additional 6 million 150 thousand metric tons in 2017.

The availability of food in 2018 was 20% less than compared to 2015. This reduction led to a decline in food consumptions patterns that affected the value of kilocalories available during the past for years. The amount of kilocalories available in the past four years declined by 39%, and the availability of proteins fell by nearly half during the same period.

National availability of food 2015-2018 (in millions of tons per year)

Impacts on nutritional indicators

The undernourishment index, a measure by the U.N. – FAO, nearly doubled in the 2015-2017 period compared to the period immediately before it, placing Venezuela in the “moderately low food risk” category, reversing gains in the reduction of hunger achieved in the previous decade.

Due to the fall in the availability of food, the prevalence of child malnutrition rose to over 5% of the child population in 2017. The U.S. blockade raised the number of children affected by acute malnutrition to 145,215, and the children affected by chronic malnutrition to 381,189 in 2017. The strategy of causing the Venezuelan people to suffer temporarily detained the important reduction in nutritional indicators achieved by Venezuela that led the FAO to declare our country as a territory free from hunger.

Impacts on the health sector

The primary goal of the blockade in terms of health has been to deny Venezuela access to raw materials, medicine and medical equipment with the aim of provoking a crisis in the health services. From this perspective, the unilateral coercive measures can be can be linked to some of the most important health events since 2017:

The blocking of funds by U.S. bank Citibank aimed at the import of 300,000 doses of insulin, harming over 450,000 patients.

The blocking of a purchase of 2 million units of an antimalarial treatment. BSN Medical laboratory, which is headquartered in Colombia, refused to ship the medicine after receiving payment for it. The firm that made the transaction was sanctioned shortly thereafter by the U.S.

The blocking by Swiss bank UBS of Venezuela's transactions with the Pan American Health Organization (PAHO) aimed at buying vaccines for the 2017 immunization program. This situation forced Venezuela and PAHO to find alternatives with banks in other countries that caused a four month delay in the immunization program.

The refusal by transnational pharmaceuticals Pfizer and Novartis to sell medicines, reagents and supplies for the treatment of chronic diseases. Among the medications that Venezuela was prevented from buying where those that treat Parkinson's disease, immunosuppressives for people with organ transplants and reagents and supplies for laboratories.

The withholding of $1.2 billion in Venezuelan funds by financial firm Euroclear harmed a set of purchases of medicine and equipment for Venezuelan health services.

The blocking of financial transactions aimed at buying immunogenic derivatives, specifically immunoglobulin.

The blocking by Santander of Spain bank of financial transactions aimed at the purchase of replacements parts for equipment used in cardiovascular surgery for children. Over 800 operations planned at the Children's Cardiological Hospital in Venezuela could not be carried out due to not being able to acquire said parts.

The theft of Venezuela's assets

*On January 28, 2019, the Government of **Donald Trump**, through Executive Order 13857, deepened the sanctions against PDVSA. As a result, all of PDVSA's assets and interests on assets in U.S. jurisdiction, which are valued at $30 billion, were blocked. U.S. citizens are generally prohibited from participating in transactions with the firm.*

In that presidential decree, the United States recognizes the self-proclaimed Juan Guaidó as the "interim president of Venezuela" and modifies prior regulations to guarantee that the legitimate and constitutional government of Nicolás Maduro continues to be the focus of the sanctions.